

Message Text

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ACTION IO-14

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TO SECSTATE WASHDC IMMEDIATE 3583

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YRBJ: MEETING CONVENED BY IRAN ON PROPOSED SPECIAL FUND

REF: USUN 1305 (NOTAL)

1. SUMMARY. IRANIAN FINMIN AMUZEGAR CHAIRED OPEN MEETING ON ESTABLISHMENT SPECIAL FUND. WHILE MOST OECD AND SOME LEAST DEVELOPED COUNTRY DELS WERE PRESENT, ONLY OPEC MEMBERS IN ATTENDANCE WERE IRAN AND ALGERIA. AMUZEGAR DISTRIBUTED TEXT OF DRAFT PROPOSAL AND ANSWERED QUESTION. WHEN HE ASKED WHO WOULD SUPPORT FUND, THE RESPONSE WAS SILENCE. END SUMMARY.

2. SUDAN, INDIA, AFGHANISTAN AND SRI LANKA ALL POINTED OUT THAT THE PRESSING NEED IS FOR SOME WAY TO COVER THE COSTS OF NECESSARY IMPORTS AND THAT THE PROBLEM IS NOT EXTRA FUNDING FOR DEVELOPMENT PROJECTS. THEY WARNED THAT PRESENT PROCEDURES OF IBRD AND IMF ARE TOO SLOW TO REACT TO CRISIS SITUATION. NETHERLANDS, FRANCE AND UK MADE
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SIMILAR POINT BUT ADDED THAT ANY NEW FUND SHOULD RELY ON

EXPERTISE OF IBRD AND IMF. UK MINSTATE ENNALS SAID HIS GOVERNMENT WOULD VIEW POSITIVELY ANY FUND THAT WAS BROADLY BASED AND SUPPORTED BY SIGNIFICANT CONTRIBUTIONS FROM SEVERAL COUNTRIES.

3. ALGERIAN REP INTRODUCED FIVE-POINT ALGERIAN PROGRAM WHICH DID NOT ENDORSE ESTABLISHMENT OF NEW FUND (SEE SEPTEL). AMUZEGAR COOLY RESPONDED THAT THOSE POINTS SHOULD BE RAISED IN AD HOC GROUP OF THE WHOLE WORKING ON PLAN OF ACTION RATHER THAN IN PRESENT GROUP.

4. AMUZEGAR MADE FOLLOWING COMMENTS ON PROPOSAL. FIGURE OF \$2-3 BILLION COMES FROM ASSESSMENT OF NEEDS OF COUNTRIES WITH UNDER \$300 PER CAPITA INCOME; IRAN CONTEMPLATED FUTURE REPLENISHMENT OF FUND; FIGURE COULD BE REACHED BY CONTRIBUTIONS OF ABOUT \$150 MILLION BY NUMBER OF OPECE AND INDUSTRIALIZED COUNTRIES; AND DETAILS OF FUND OPERATION TO BE DECIDED BY THE BOARD OF THE FUND. IN RESPONSE TO JAPANESE QUESTION ON ATTITUDE OF OTHER OPEC MEMBERS, HE RESPONDED THAT OPEC HAD NOT DECIDED TO ESTABLISH FUND BUT THAT THIS WOULD BE DISCUSSED AGAIN DURING JUNE 15 QUITO MEETING. IF SOMETHING IS DECIDED BY SPECIAL GA, THE TWO PROPOSALS COULD BE MERGED.

5. AMUZEGAR ASKED WHO WOULD JOIN IN SUPPORTING THE FUND AND WAS GREETED BY BRIEF SILENCE. AMB AMERASINGHE (SRI LANKA) SUGGESTED THAT IRAN CONSULT WITH POTENTIAL DONORS AMONG OIL PRODUCING STATES AND INDUSTRIALIZED STATES. AMUZEGAR SAID HE WOULD CONSULT WITH OTHER MEMBERS OF OPEC AND INDUSTRIALIZED COUNTRIES, NOTABLY EEC, AND IF RESPONSE WAS POSITIVE, WOULD CALL ANOTHER MEETING, IN AN AFTERTHOUGHT HE SAID THAT OBVIOUSLY WITHOUT THE POSITIVE RESPONSE BY POTENTIAL DONORS, THERE MAY BE NO SUBSEQUENT MEETING OF THE LARGER CONSULTATIVE GROUP.

6. TEXT OF IRANIAN PROPOSAL FOLLOWS:

"OUTLINE OF A PROPOSAL FOR THE ESTABLISHMENT OF A SPECIAL DEVELOPMENT FUND (SDF)

CONSIDERING THE ADVERSE EFFECTS OF THE CURRENT WORLD-LIMITED OFFICIAL USE

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WIDE INFLATION, RESULTING FROM THE BREAK-DOWN OF THE INTERNATIONAL MONETARY ORDER, AND THE IMPACT OF THE SHARPLY INCREASED PRICES OF FOODSTUFF, RAW MATERIALS, AND INDUSTRIAL GOODS ON THE BALANCE OF PAYMENTS AND ECONOMIC DEVELOPMENT EFFORTS OF THE LESS DEVELOPED COUNTRIES, WHICH SEVERELY AFFECT THE WELFARE OF THEIR PROPOES AND COMPOUND THEIR DIFFICULTIES IN ATTAINING THE TARGETS ENVISAGED FOR THE SECOND DEVELOPMENT DECADE,

RECOGNIZING THAT THE AMELIORATION OF THE ECONOMIC CONDITIONS IN THE LESS DEVELOPED COUNTRIES REQUIRES IMMEDIATE PROVISION OF ADDITIONAL FINANCIAL ASSISTANCE TO THESE COUNTRIES,

IT IS PROPOSED TO ESTABLISH A SPECIAL DEVELOPMENT FUND (SDF) WITHIN THE FOLLOWING FRAMEWORK:

PURPOSE

THE SDF IS INTENDED TO BE A NEW INTERNATIONAL ENTITY, PROVIDING FINANCIAL ASSISTANCE TO LESS DEVELOPED COUNTRIES FOR THE IMPLEMENTATION OF THEIR DEVELOPMENT PROGRAMS AND PROJECTS. IT MAY ALSO ASSIST THEM IN THEIR BALANCE OF PAYMENT DIFFICULTIES WHENEVER SUCH DIFFICULTIES HAMPER THEIR DEVELOPMENT EFFORTS.

MEMBERSHIP

THE MEMBERSHIP OF SDF IS OPEN TO ALL MEMBERS OF THE UNITED NATIONS, CONTRIBUTORS AS WELL AS RECIPIENTS. THE CONTRIBUTORS CONSIST OF THE OIL-EXPORTING COUNTRIES (GROUP A) AND DEVELOPED NATIONS (GROUP B). THE RECIPIENTS CONSIST OF LESS DEVELOPED COUNTRIES (GROUP C).

RESOURCES

THE INITIAL CAPITAL OF SDF SHALL BE PROVIDED BY GROUP A AND GROUP B COUNTRIES. THIS INITIAL CAPITAL WILL BE SUPPLEMENTED BY ANNUAL CONTRIBUTIONS TO MEET IN PART THE IRREDUCIBLE MINIMUM DEVELOPMENT NEEDS OF LESS DEVELOPED COUNTRIES.

VOTING POWER

EACH OF THE ABOVE THREE GROUPS SHALL HAVE ONE THIRD LIMITED OFFICIAL USE

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OF THE TOTAL VOTING POWER IN THE MANAGEMENT, ADMINISTRATION, AND OPERATION OF SDF. THE VOTING POWER SHALL BE DIVIDED AMONG GROUP MEMBERS IN A MANNER TO BE DETERMINED LATER.

ORGANIZATION AND MANAGEMENT

THE SDF SHALL HAVE A BOARD OF GOVERNORS, AN EXECUTIVE BOARD, A MANAGING DIRECTOR AND A SMALL SECRETARIAT:

A) BOARD OF GOVERNORS

THE SDF WILL HAVE A BOARD OF GOVERNORS COMPOSED OF EQUAL NUMBERS FROM EACH PARTICIPATING GROUP.
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B) EXECUTIVE BOARD

THE EXECUTIVE BOARD OF SDF SHALL CONSIST OF A SMALL AND UNEVEN NUMBER, TO BE CHOSEN BY THE BOARD OF GOVERNORS FROM AMONG DEVELOPMENT EXPERTS ON THE BASIS OF THEIR PROFESSIONAL QUALIFICATIONS. THE MEMBERS OF THE EXECUTIVE BOARD SHALL BE RESPONSIBLE SOLELY TO THE BOARD OF GOVERNORS. NO MEMBER OF THE BOARD SHALL HOLD ANY OTHER POSITION DURING HIS TERM OF OFFICE, AND NO TWO MEMBERS SHALL BE OF THE SAME NATIONALITY. THE EXECUTIVE BOARD SHALL BE RESPONSIBLE FOR NORMAL OPERATIONS OF SDF, INCLUDING DECISIONS ON LOAN REQUESTS, AND SHALL ADOPT SUCH RULES AND REGULATIONS AS MAY BE NECESSARY AND APPROPRIATE FOR THE CONDUCT OF BUSINESS OF THE FUND,

WITHIN THE FRAMEWORK OF THE GUIDELINES LAID DOWN BY THE BOARD OF GOVERNORS.

C) MANAGING DIRECTOR

THE MANAGING DIRECTOR SHALL BE APPOINTED BY THE BOARD
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OF GOVERNORS AND SHALL BE THE CHAIRMAN OF THE EXECUTIVE BOARD. THE MANAGING DIRECTOR SHALL BE THE HIGHEST EXECUTIVE OFFICER OF SDF AND THE HEAD OF THE SECRETARIAT.

D) SECRETARIAT

THE SECRETARIAT SHALL CONSIST OF A SMALL STAFF TO ASSIST THE MANAGING DIRECTOR IN THE PERFORMANCE OF HIS DUTIES. THE SECRETARIAT WILL ACT AS A LIAISON BETWEEN THE SDF AND OTHER INTERNATIONAL AND REGIONAL FINANCIAL INSTITUTIONS PERFORMING SERVICES FOR THE SDF.

RECIPIENTS

THE SDF FINANCIAL ASSISTANCE IS TO BE EXTENDED TO LESS DEVELOPED COUNTRIES, WITH SPECIAL PRIORITY TO BE GIVEN TO THE LEAST DEVELOPED AMONGST THEM. PRIORITY CRITERIA SHALL BE ESTABLISHED BY THE BOARD OF GOVERNORS.

FINANCIAL ASSISTANCE

FINANCIAL ASSISTANCE TO THE LESS DEVELOPED COUNTRIES SHALL BE PROVIDED BY SDF ON CONCESSIONARY TERMS, WITH A RATE OF INTEREST OF UP TO 3 PER CENT, AND A REPAYMENT PERIOD OF UP TO 30 YEARS, INCLUDING A GRACE PERIOD OF UP TO 10 YEARS. THE ASSISTANCE SHALL CONSIST OF CREDITS FOR URGENT BALANCE OF PAYMENT NEEDS, AS WELL AS LOANS FOR COUNTRY PROGRAMMES AND SPECIFIC DEVELOPMENT PROJECTS. THE SHARE OF EACH OF THE ABOVE THREE TYPES OF ASSISTANCE IN THE ANNUAL BUDGET OF SDF SHALL BE DETERMINED BY THE BOARD OF GOVERNORS.

METHODS OF OPERATION

IN ORDER TO SPEED UP THE ESTABLISHMENT OF THE SDF, TO MINIMIZE ITS OPERATIONAL COSTS AND AVOID DUPLICATION OF EFFORTS WITH OTHER INTERNATIONAL ORGANIZATIONS, THE SDF WILL, TO THE EXTENT DESIRABLE, AVAIL ITSELF OF THE FACILITIES OF THE APPROPRIATE INTERNATIONAL FINANCIAL INSTITUTIONS. REQUESTS FOR ASSISTANCE FROM THE SDF SHALL BE PRESENTED TO THE SECRETARIAT. THE SECRETARIAT SHALL HAVE SUCH REQUESTS ANALYZED AND APPRAISED BY THE ABOVE INSTITUTIONS, OR INDEPENDENTLY IF NECESSARY. SUCH REQUESTS TOGETHER WITH THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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APPRAISAL REPORTS SHALL THEN BE SUBMITTED TO THE EXECUTIVE BOARD FOR FINAL DECISION. THE APPROVED REQUESTS WILL BE DIRECTED FOR IMPLEMENTATION AND FOLLOW-UP ACTIONS TO THE APPROPRIATE INSTITUTIONS."

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